State of Florida

Debt Report

2022

Prepared by:
The Division of Bond Finance
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Executive Summary

The State of Florida Debt Report (the "Report") is prepared annually by the Division of Bond Finance in accordance with Section 215.98, Florida Statutes. The Report reviews the State's debt position and how future debt service payments, projected debt issuance, and revenue projections will affect the State's benchmark debt ratio. The Report also provides information on matters important to the State's credit ratings such as pension liabilities and the State's property insurance market, as well as developments in alternative financing techniques.

The debt affordability analysis contained in the Report is based on the ratio of debt service to revenues available to pay debt service. Legislative policy guidelines establish a 6% target and a 7% limit for the State's benchmark debt ratio.

Debt and Debt Service Payments

Total State direct debt outstanding as of June 30, 2022, was $17.1 billion—a $1.3 billion decrease from the prior fiscal year. This continues a downward trend which began in 2011 totaling $11.1 billion or a 39% reduction in debt outstanding. Net tax-supported debt for programs supported by State tax revenues or tax-like revenues totaled $13.0 billion. Self-supporting debt, representing debt secured by revenues generated from operating bond-financed facilities, totaled $4.1 billion. Indirect State debt, debt secured by revenues not appropriated by the State or debt obligations issued by a separate legal entity, was approximately $9.6 billion.

Approximately $2.2 billion of net tax-supported debt is projected to be issued over the next ten years, primarily for financing transportation projects. Projected debt issuance over the next ten years has increased by approximately $380 million relative to the $1.8 billion projected issuance in the 2021 Debt Report. There has been a significant decrease in projected debt issuance over the past decade reflecting less reliance on debt to finance infrastructure. In Fiscal Year ("FY") 2010, projected debt issuance was $7.2 billion compared to current projected debt issuance of only $2.2 billion.

Notwithstanding the decrease in debt outstanding over the past decade, the annual debt service payments have remained relatively stable in the $2.0-2.2 billion range through FY 2022 but are projected to decrease significantly in FY 2023 to $1.8 billion and decline annually thereafter based on current low levels of projected new debt issuance and no remaining DOT PPP I-4 project milestone payments.

Revenues

Changes in revenues have a significant impact on the calculation of the State's debt ratio and available debt capacity. Florida's economy continues to grow, with FY 2022 revenues available to pay debt service totaling over $56.0 billion, an increase of $8.5 billion, or 17.9%, over FY 2021. This follows robust growth in FY 2021 revenues available for debt service of approximately $6.3 billion, or 15.0% more than FY 2020. General Revenue collections, which make up a majority of total revenues available to pay debt service, are projected to decline by

$2.0 billion, or 4.6%, in the current FY 2023; however, actual collections have exceeded estimates for every month this FY so far through September 2022.

Benchmark Debt Ratio and Debt Capacity

As demonstrated by the past three FYs, the benchmark debt ratio – debt service to revenues available to pay debt service - is sensitive to changes in state revenues. Continued economic expansion in FY 2022 resulted in a further decrease in the benchmark ratio to 3.78%. The benchmark debt ratio has remained below the 6% policy target for eight consecutive years. Projections for the benchmark debt ratio remain below 6% through 2032 but are dependent on the projected revenue stability.

The total debt capacity available over the next ten years within the 6% policy target is approximately $40.0 billion. Assuming the revenue collections currently projected by the REC, there is approximately $22.3 billion of debt capacity available within the policy target in FY 2024. Although likely not needed due in the near-term, due to the State's reserves and continued strong revenue collections, significant debt capacity is available should policymakers choose to use debt to accelerate strategically, important infrastructure projects.

Important Credit Factors

All three major rating agencies affirmed the State's AAA general obligation ratings and Stable outlooks in 2022, which reflects the State's significant economic growth and prudent budget management. The rating agencies anticipate the State will maintain healthy reserves and structural budget balance to continue to support the triple-A ratings.

Reserves

General Fund Reserves (including the Budget Stabilization Fund ("BSF") at the end of FY 2022 were $19.7 billion, an unprecedented level and almost double the amount at the end of FY 2021. By the end of FY 2022, General Fund Reserves were 45% of General Revenue, which rating agencies consider extremely strong. General Fund Reserves are projected to be approximately $18.8 billion at the end of FY 2023. Trust fund balances also serve as an additional source of reserves, augmenting the State's financial flexibility.

Maintaining adequate reserves provides the State the flexibility to meet unforeseen financial needs, such as costs related to hurricanes. For example, the fiscal impact to the State's General Revenue Fund from Hurricane Ian, which made landfall in Florida on late September 2022, is currently projected to be $1.8 billion, with the majority of those expenses expected to ultimately be reimbursed by FEMA. Additional costs related to the State's share of county costs for Hurricane Ian are not yet available. State costs related to Hurricane Nicole, which impacted the State in November 2022, are not currently available but are expected to be significantly less than Hurricane Ian costs. State costs related to the recent hurricanes are expected to be incurred over multiple budget years and the State's current General Fund Reserves provide sufficient financial flexibility to cover expenses in advance of FEMA reimbursements. Maintaining strong reserves also positions the State well to handle the potential consequences of a recession. After maintaining stimulative monetary policy for far too long, precipitating

historically high inflation, the Federal Reserve has raised interest rates several times increasing the likelihood of a recession as it attempts dampen demand to slow inflation.

Pension Funding

Annual pension contributions are viewed as long-term fixed costs by rating agencies and, like debt service, potentially crowd-out other expenditures and create structural budget imbalance if not managed properly. In addition to pension funded status, ratings agencies are also focused on the reasonableness of assumptions in calculating pension liabilities and how those assumptions affect required contributions and liabilities over the long-term.

Florida continues to make important progress in lowering its investment return assumption. The investment return assumption, which had been lowered from 7.75% to 6.8% over the previous eight years, was reduced to 6.7% this year. No adjustments were made to the amortization policy for the unfunded liability, which was previously reduced from 25 years to 20 years in October 2021. However, experts advise that using level dollar, instead of level percentage of payroll, to amortize of the unfunded actuarial liability is a more prudent approach and is consistent with actuarial best practices.

Environmental, Social, and Governance ("ESG")

The State of Florida does not issue ESG designated or labeled bonds, such as "green bonds". There is no evidence that ESG labeled bonds result in more favorable pricing or a lower interest rate.

All three rating agencies have incorporated ESG factors into their credit analysis and reports. While risks related to these factors have always been considered in rating analysis, they are now being included under an ESG moniker. The rating agencies have also developed ESG scores and have incorporated the scores into their credit reports. The State of Florida did not request ESG scores and is not actively engaged with the rating agencies ESG score analyses as the ESG scores do not currently impact credit ratings.

Interest Rates, Refundings, and Inflation

Fortunately, the State's recovery has demonstrated significant resiliency through the pandemic, but economic cycles are inevitable, and a weaker economy generally means softer revenue collections. Over the past 10 years, the Division has executed 120 refinancing transactions, totaling $16.0 billion, to take advantage of the historically low interest rates. Refundings over the past decade have resulted in a total gross debt service savings of approximately $3.4 billion, or $2.7 billion on a present value basis. Limited new money issuance over the past decade has resulted in a limited portfolio of future refunding candidates. Over the next five years, there is only $4.2 billion of debt which can be refinanced if market conditions are favorable and interest rates are low enough to generate debt service savings. However, there are significant economic headwinds and uncertainty regarding interest rates as the Federal Reserve continues to move to a restrictive monetary policy to combat persistent inflation. Recent volatility in the bond markets, coupled with limited issuance over the past decade, results in a significant decrease in future refunding opportunities. The Division will

continue to monitor the bond market for opportunities to advantageously refinance the State's debt.

Conclusion

The debt ratio remains well below the 6% target due to limited debt issuance and revenue growth. The State is well positioned with significant debt capacity available to fund critical infrastructure needs. Strong economic growth, prudent financial management, and historic reserves are reflected in the State's triple-A credit ratings. The State is well positioned to ensure flexibility and stability through future economic cycles.

Introduction

The annual Debt Report is required by Section 215.98, Florida Statutes and is presented to the President of the Senate, Speaker of the House, and the chair of each appropriation committee. The analysis included in the Debt Report is a tool to guide policymakers when assessing the impact of borrowing on the State's fiscal position, helping to inform prudent decision-making regarding financing proposals and capital spending priorities.

To encourage fiscal responsibility on matters pertaining to state debt, Section 215.98, Florida Statutes, establishes a 6% target and 7% limit as policy guidelines for the benchmark debt ratio. The ratio is determined using a financial model that measures the impact of changes in two variables: (1) the State's annual debt service payments; and (2) the amount of revenues available for debt service payments. The analysis compares the State's current debt position to relevant industry and peer metrics and evaluates the impact of issuing additional debt given current economic conditions reflected in revenue forecasts.

Additional debt causing the benchmark debt ratio to exceed the 6% target may be issued only if the Legislature determines that the additional authorization and issuance are in the best interest of the State. Additional debt causing the benchmark debt ratio to exceed 7% may be issued only if the Legislature determines that such additional debt is necessary to address a critical State emergency.

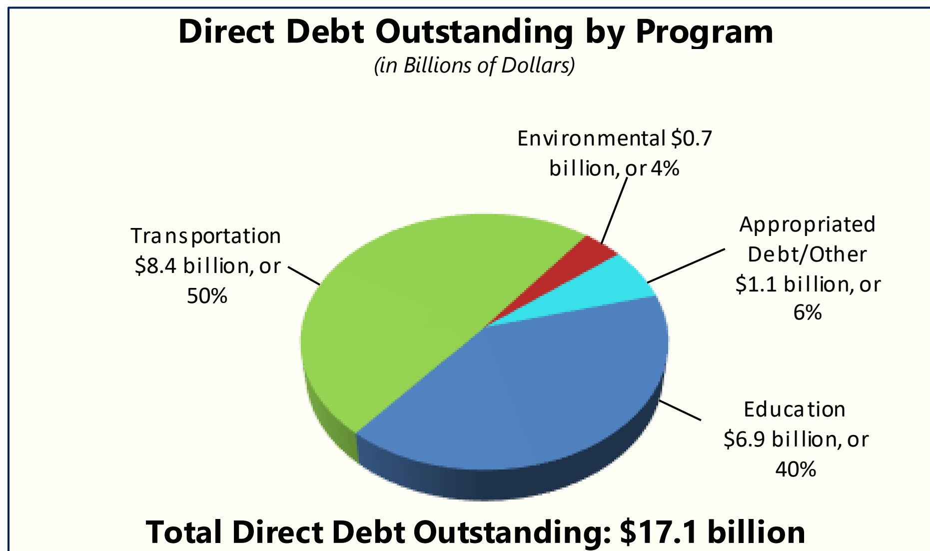
The purpose of the Report is to review the State's debt position and show how future debt issuance and revenue projections will affect the State's benchmark debt ratio. Performing the debt affordability analysis enables the State to monitor changes in its debt position.

The Report provides information as of June 30, 2022, unless otherwise noted. Updates to the analysis occur as Revenue Estimating Conference ("REC") forecasts are revised in order to ensure the Legislature has the latest information available when making critical future borrowing decisions during the appropriations process.

Outstanding State Debt

The State had $17.1 billion in total direct debt outstanding as of June 30, 2022. Prior to FY 2020, educational facilities financed with bonds represented the largest portion of total direct debt. However, recent investments in State transportation infrastructure have resulted in transportation becoming the largest portion of total direct debt, accounting for $8.4 billion or 50% of total debt outstanding as of June 30, 2022. A significant portion, $2.6 billion, of transportation debt reflects the State's payment obligations for financing transportation infrastructure through Public Private Partnerships ("PPPs"). Contributing to the largest portion of transportation debt are toll roads primarily financed with bonds for Florida's Turnpike Enterprise, $3.2 billion, and Right-of-Way Acquisition and Bridge Construction bonds, $1.9 billion. Educational facilities, represent $6.9 billion or 40% of total debt outstanding. The bulk of outstanding debt for educational facilities is comprised of PECO bonds, which accounted for $5.4 billion. The August 2022 PECO Estimating Conference estimated the current borrowing capacity at approximately $7.2 billion. Outstanding environmental program bonds of approximately $700 million includes primarily the Florida Forever, Everglades Restoration, and Florida Water Pollution Control bond programs.

Net tax-supported debt consists of debt secured by state tax revenue or tax-like revenue. In addition to debt issued directly by the State, net-tax supported debt also includes debt issued by non-State entities secured by allocations of State tax revenues, such as bonds issued for the H. Lee Moffitt Canter Center secured by a portion of cigarette tax collections. Self-supporting debt, which is not included in the State's benchmark debt ratio, is secured by revenues generated from operating the facilities financed with bonds. The Turnpike Enterprise is the primary self-supporting program with $3.2 billion of outstanding debt. The remaining self-supporting debt relates to other toll facilities, university auxiliary enterprises, which primarily finance campus housing and parking facilities, and the water pollution control revolving loan program, which provides low interest rate loans to local governments for wastewater projects.



Direct Debt Outstanding by Type and Program

As of June 30, 2022

(In Millions Dollars)

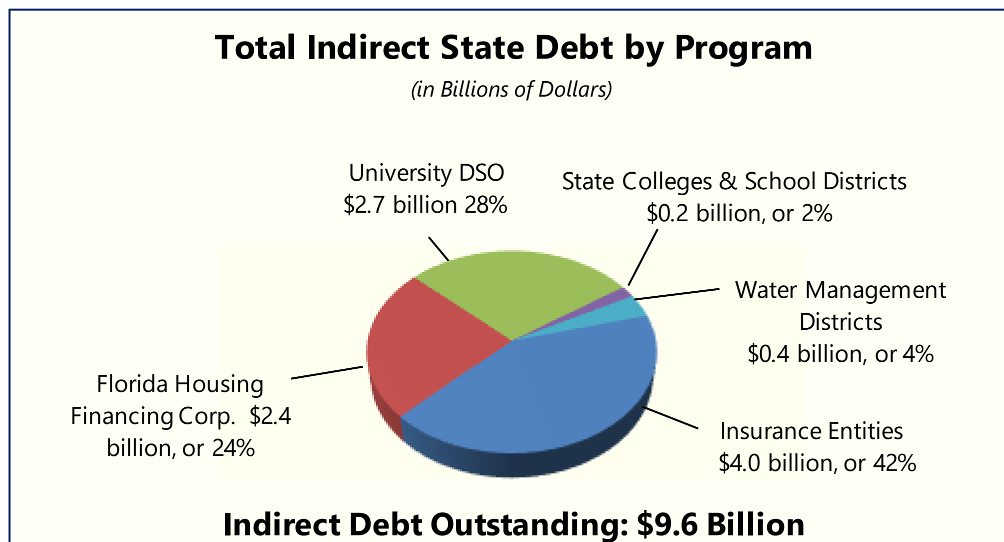
Debt Type		Amount
Net Tax-Supported Debt		$12,980.5
Self-Supporting Debt		4,102.9
Total State Debt Outstanding		**$17,083.5**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$5,401.6	
Capital Outlay	54.7	
Lottery	524.7	
University System Improvement	64.5	
University Mandatory Fee	47.4	
State (Community) Colleges	42.2	
Total Education		$6,135.1
Environmental		
Florida Forever Bonds	370.1	
Everglades Restoration Bonds	125.4	
Inland Protection	11.3	
Total Environmental		$506.8
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,871.6	
State Infrastructure Bank	0.0	
GARVEE	209.2	
DOT Financing Corporation	273.9	
PPP Obligations	2,626.0	
Florida Ports	252.3	
Total Transportation		$5,232.9
Appropriated Debt / Other		
Facilities	132.4	
Prisons	361.9	
Children & Families	36.6	
Lee Moffitt Cancer Center	244.2	
Law Enforcement Communication	76.0	
Master Lease	5.4	
Energy Saving Contracts	14.8	
Sports Facility Obligations	234.4	
Total Appropriated Debt / Other		$1,105.7
Total Net Tax-Supported Debt Outstanding		**$12,980.5**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$744.6
Environmental		
Florida Water Pollution Control		162.6
Toll Facilities		3,195.8
Total Self-Supported Debt Outstanding		**$4,102.9**

Indirect Debt

In addition to direct debt, the State has outstanding indirect debt which represents debt secured by revenues not appropriated by the State or debt obligations of a separate legal entity. In some cases, indirect debt may represent a financial burden on Florida citizens (e.g., assessments that are pledged to the Florida Hurricane Catastrophe Fund ("Cat Fund"), Citizens Property Insurance Corporation ("Citizens"), and Florida Insurance Guaranty Association ("FIGA") debt. Indirect debt is not included in the State's debt ratios or the analysis of the State's debt burden.

Indirect debt of the State totaled approximately $9.6 billion as of June 30, 2022. The amount of indirect debt outstanding remained unchanged from the previous year with the inclusion of $250 million of debt issued on behalf of FIGA, offsetting decreases in other bond programs. Cat Fund, Citizens, and FIGA represented $4.0 billion ($3.5 billion for Cat Fund, $275 million for Citizens, $250 million for FIGA) or 42% of total indirect debt and consists of liquidity financing for FIGA and pre-event financings to provide cash to pay potential losses incurred following a future hurricane event for Cat Fund and Citizens. Although the State views the insurance entities as independent and responsible for their own obligations, rating agencies consider the amount of debt outstanding by the State-sponsored insurance entities integral to the State's overall credit due to the fiscal impact the insurance entity assessments could have on Floridians. Please see "Florida's Property Insurance Market" section below for additional information.

University Direct Support Organizations ("DSOs") comprised nearly $2.7 billion or 28% and Florida Housing Finance Corporation, which administers the State's affordable housing programs, accounted for $2.4 billion or 24% of total indirect debt outstanding.



Total Indirect State Debt by Program		
(In Millions of Dollars)		
Insurance Entities		
Florida Hurricane Catastrophe Fund Finance Corporation	$ 3,500.0	
Florida Insurance Guaranty Association	250.0	
Citizens Property Insurance Corporation	275.0	
Total		$ 4,025.0
Florida Housing Finance Corporation		
Single Family Programs	1,212.7	
Multi-Family Programs	1,141.8	
Total		2,354.4
University Direct Support Organizations		
Shands Teaching Hospital & Affiliates	1,035.1	
University of South Florida	319.5	
University of Central Florida	333.7	
Florida Gulf Coast University	162.2	
Florida Atlantic University	225.8	
North Florida	109.7	
University of Florida	264.5	
Other State Universities	289.5	
Total		2,740.0
Water Management Districts		351.4
School Districts		77.0
State (Community) Colleges and Foundations		98.0
Total State Indirect Debt		**$ 9,645.8**

Florida's Property Insurance Market

The State of Florida has three public entities that serve to stabilize the property insurance market in the State – Cat Fund, Citizens, and FIGA. Cat Fund provides a stable and recurring source of loss reimbursements for residential property insurers. Citizens acts as the insurer of last resort, absorbing and writing policies for properties that are not able to obtain policies in the private market. FIGA is responsible for the liabilities of insolvent insurance companies, ensuring orderly and timely payment of outstanding claims. All three entities have the authority to issue debt and have broad and specific ability to levy assessments on a range of insurance lines and products.

Florida's residential property insurance market is currently under pressure, with companies reducing coverage provided and increasing rates with some becoming insolvent, primarily driven by litigation, fraud, and social inflation rather than hurricanes. The State has taken steps to address excessive litigation and availability of reinsurance, with legislative changes enacted over the past years, including the creation of the Reinsurance to Assist Policyholders ("RAP") program which provides an additional $2 billion layer of State-funded reinsurance below the

FHCF for the 2022 or 2023 storm season. However, additional reforms are needed, especially eliminating one-way attorney fees and other perverse incentives causing excessive litigation.

Future borrowing needs of Cat Fund, Citizens, and FIGA are unknown but should be monitored as the size and health of these entities and their role in Florida's property insurance market have an impact on the State's economy and credit rating. In fact, Moody's upgrade of the State to triple-A in 2018, pointed to Cat Fund and Citizens' strong claims paying resources and reduced exposure to future liabilities highlighting the importance of these entities to the State's credit rating.

Alternative Financing Techniques

Alternative financing techniques provide funding for capital projects and utilize State resources for repayment. Several alternative financing techniques used by the State are discussed below: DOT short-term PPP contracts; DOT long-term PPP projects; university PPP contracts; debt issued through university DSOs; and charter school financings. Tracking and disclosing alternative financing transactions is important as they frequently commit future state resources but may not be reflected in State debt.

DOT Short Term Contract Debt

DOT has used build-finance and design-build-finance contracts (collectively referred to as "Contract Debt") to advance construction projects. Contract Debt accelerates project construction but obligates DOT to make payments at a later date based on a pre-determined contractual schedule, functionally equivalent to short-term debt. DOT generally begins making the mandatory cash availability payments from State Transportation Trust Fund ("STTF") revenues during construction, but payments sometimes continue once construction is complete. DOT had a balance of only $57 million of Contract Debt at June 30, 2022, with the final payment scheduled for FY 2023. Although a portion of the payments may be offset with other funding sources (e.g. toll revenues or contributions by local governments), the amounts represent the total payments due under Contract Debt payable from STTF revenues, as the State is the ultimate obligor.

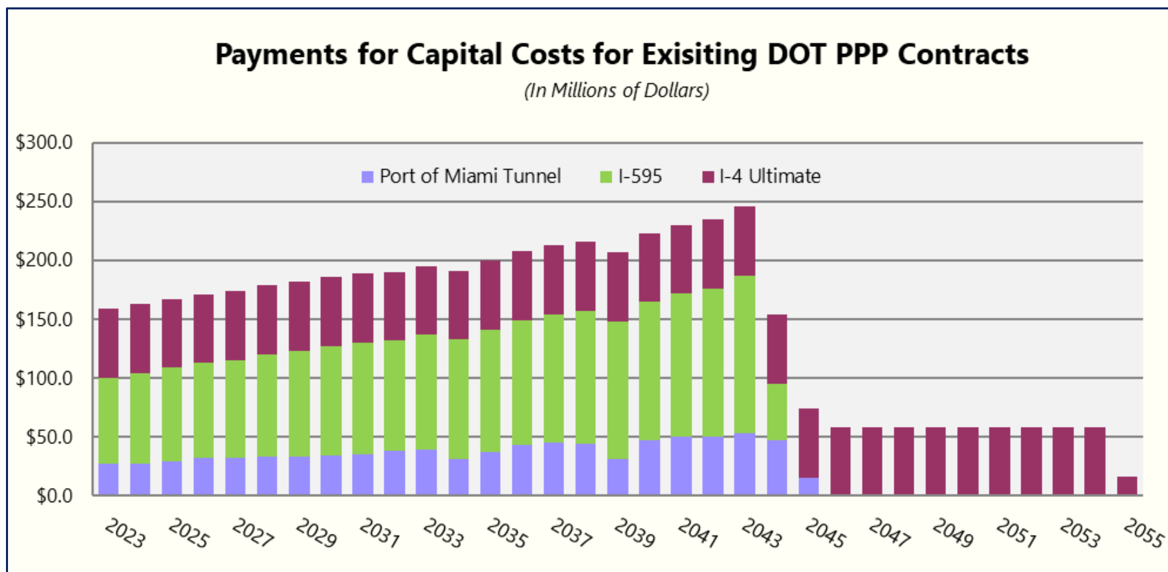
DOT's required payments under Contract Debt have been included as State debt, but are excluded from calculating the benchmark debt ratio because the term of the debt is generally no longer than five years and repaid within DOT's five-year Work Program. Including required payments under Contract Debt in the calculation of the benchmark debt ratio would introduce near-term volatility, impairing the usefulness of the analysis as a long-term planning tool.

DOT Long-Term PPP Projects

Pursuant to Section 334.30, Florida Statutes, DOT has executed three agreements with private partners to advance construction of the I-595 Corridor Improvement Project, the Port of Miami Tunnel Project, and the I-4 Project through Orlando. These projects have original combined construction costs of $4.5 billion: $1.3 billion for the I-595, $543 million for the Port of Miami Tunnel, and $2.7 billion for the I-4 Project.

PPP projects are funded through milestone payments and availability payments. Milestone payments are tied to construction and are paid as the construction reaches certain levels of progress or "milestones". The capital costs and operations/maintenance expenses of these PPP projects are paid through "availability payments" or mandatory, scheduled payments that commence when construction is complete and continue for 30 to 35 years. The capital costs of these PPP projects are included as outstanding debt of the State. The capital portion of the required payments for DOT's PPP projects total $4.9 billion over the next 33 years. The final milestone payment for the I-4 project was made in FY 2022, which resulted in an annual payment of $486 million, which represents approximately 23% of total FY 2022 State's net tax-supported debt service of $2.1 billion. The aggregate annual payments for the capital costs associated with these projects decreases to $159 million in FY 2023, before steadily increasing to a maximum projected payment of $246 million in FY 2043.

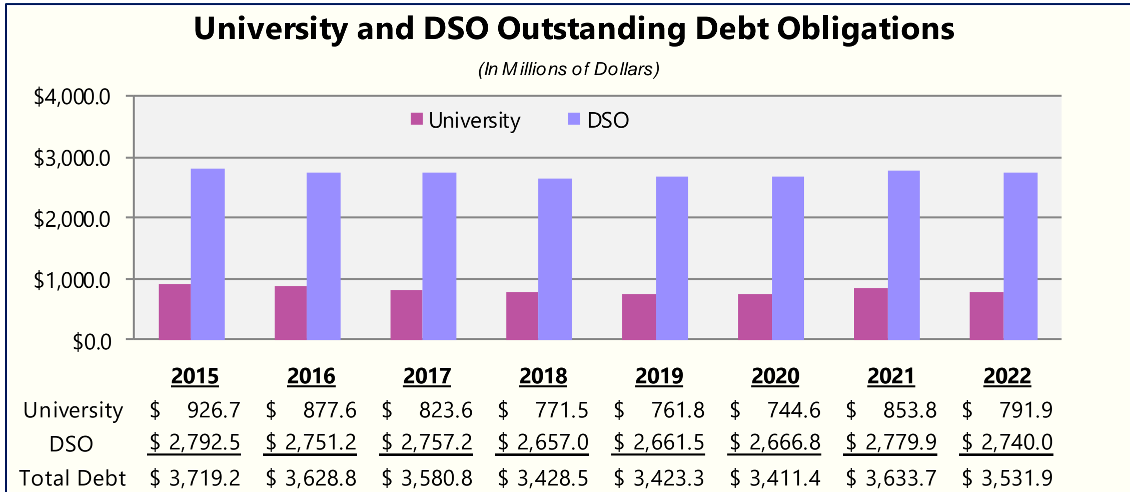
Section 334.30, Florida Statutes, requires DOT to ensure that no more than 15% of the total available federal and state funding in the STTF in any given year be obligated to required payments for contract debt and PPP contracts. The 15% limit is nearly three times the State's debt policy target of 6% on overall debt. The amount available under the 15% limit varies annually over the next ten years. The amount available under the statutory limit generates additional debt capacity of $10.7 billion within DOT's 10-year plan. If this amount were added to the State's FY 2022 benchmark debt ratio calculation, the debt ratio would increase by approximately 1.34% from 3.78% to 5.12%.



University DSO Obligations and PPP Agreements

State universities utilize their DSOs to support various auxiliary functions (e.g. athletics, healthcare, fundraising, research activities, etc.). DSOs can also serve as a conduit issuer or shell corporation for universities to finance capital projects, including campus housing, parking and athletic facilities. DSO transactions are approved by the DSO Boards, universities' Boards of Trustees, and the Board of Governors. Unlike transactions managed by the Division of Bond Finance, DSO transactions do not require approval by the Governor and Cabinet. The amount

of University DSO debt obligations outstanding as of June 30, 2022, were $2.7 billion, which represented 78% of total university debt. Since the obligor is ultimately not a State entity, University PPP and DSO debt are excluded from State direct debt in this report; if they were included, direct debt would be approximately 16% higher.



	2015	2016	2017	2018	2019	2020	2021	2022
University	$ 926.7	$ 877.6	$ 823.6	$ 771.5	$ 761.8	$ 744.6	$ 853.8	$ 791.9
DSO	$ 2,792.5	$ 2,751.2	$ 2,757.2	$ 2,657.0	$ 2,661.5	$ 2,666.8	$ 2,779.9	$ 2,740.0
Total Debt	$ 3,719.2	$ 3,628.8	$ 3,580.8	$ 3,428.5	$ 3,423.3	$ 3,411.4	$ 3,633.7	$ 3,531.9

Universities are also entering into PPP agreements for certain projects. Each University PPP transaction is analyzed by the Board of Governors ("BOG") and the Division of Bond Finance staff, prior to execution, for compliance with Florida Statutes and the BOG PPP Guidelines. The debt is often secured by revenues of the project being financed but non-recourse to other revenues of the State or University. However, rating agencies are now incorporating the debt obligations of University PPP in their credit analysis of the University.

The University of Florida is currently doing a procurement for a PPP to replace the existing central utility plant on the Gainesville campus. The cost of the project is currently estimated to be $550 million. The procurement contemplates the University using an "Availability Payment" structure, to finance the construction, operation and maintenance of the project. This is the first university PPP project to utilize an Availability Payment structure as security for the debt. Section 1010.62 governing debt incurred by universities specifies which university revenues may be used to secure University debt. However, it is unclear which source of funds the University will use to make the Availability Payments. If the proposed financing is completed as currently structured, it could fundamentally change the policy framework for university debt by expanding and unbounding revenues that are currently allowed by law to secure debt.

Charter Schools

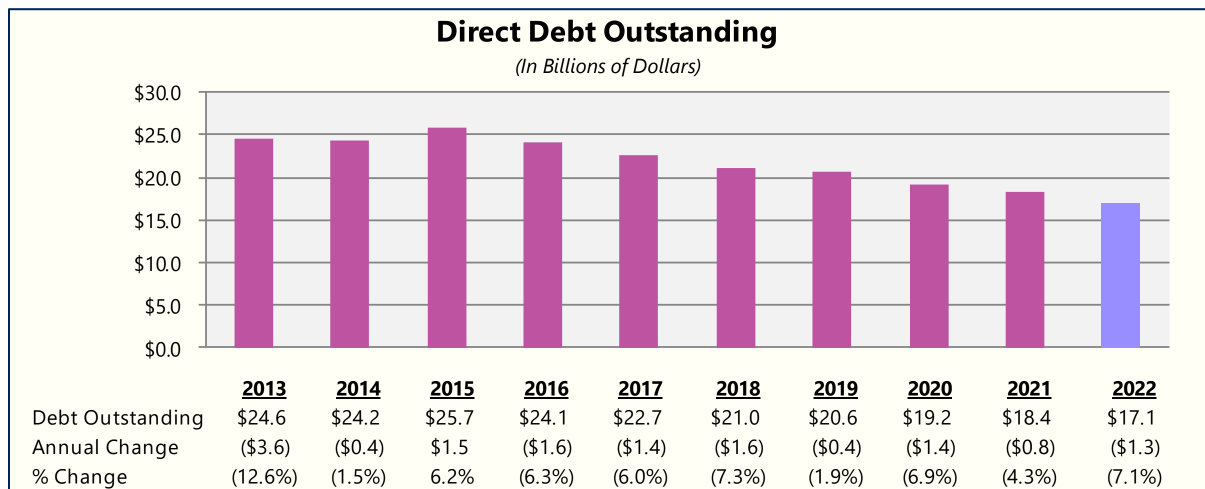
According to the Department of Education, there were 703 charter schools educating approximately 362,000 students in Florida in FY 2022, an enrollment increase of 6% from the prior year. The 362,000 students enrolled in charter schools represents approximately 13% of Florida's total PK-12 enrollment of 2.8 million. Like Florida public schools, charter schools receive funding for operations from the State on a per student basis. In addition, charter schools can become eligible for capital outlay funding beginning in the fourth year of

operation. Capital outlay disbursements to charter schools totaled $183 million, in FY 2022. Although there is no official source for monitoring charter school debt, the Division estimates that approximately $1 billion in bonds have been issued in the past 5 years to fund new charter school construction. The seasoning of the charter school model and professional operators have contributed to the development of a specialized municipal bond market for financing charter schools and has led to the proliferation of unrated debt issuance to finance new schools or refinance existing schools. Since charter school debt is not a direct obligation of the State and municipal market participants evaluate charter school obligations based on the operator and success of the school, it is not treated as State direct debt and is excluded when calculating the benchmark debt ratio. However, from an education policy perspective, it is appropriate to consider charter school debt as having funded public school capital outlay.

Debt Outstanding

The trend in the State's outstanding debt is important in evaluating how debt levels have changed over time. Total State direct debt grew to a peak of $28.2 billion in FY 2010 and has since decreased by $11.1 billion or 39%.

In FY 2022, debt declined by $1.3 billion. The only increase was in FY 2015, reflecting a substantial investment in transportation infrastructure (I-4 Project) and a previous refinement in how DOT PPP obligations are recorded in this report.

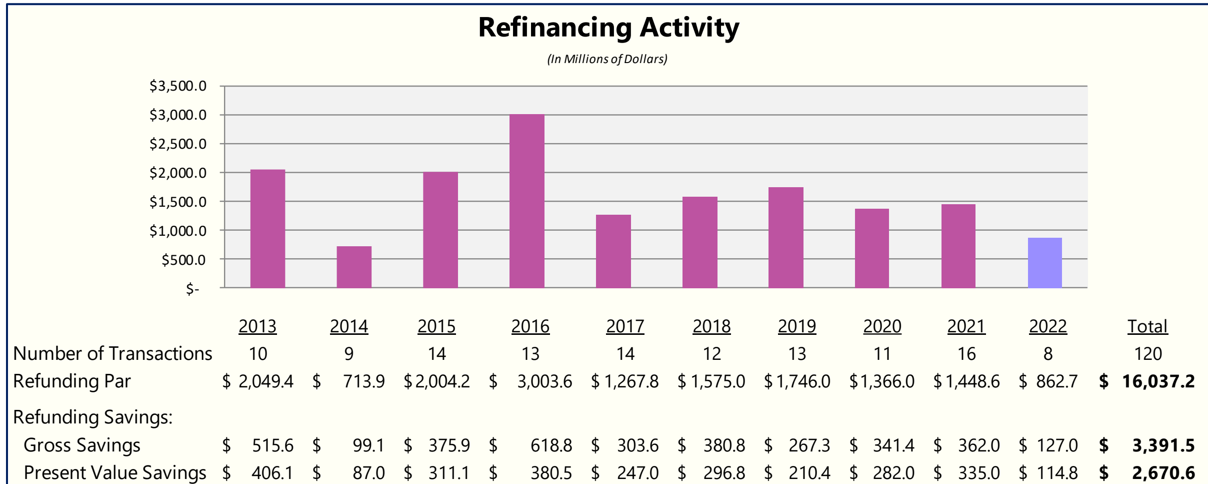


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Outstanding	$24.6	$24.2	$25.7	$24.1	$22.7	$21.0	$20.6	$19.2	$18.4	$17.1
Annual Change	($3.6)	($0.4)	$1.5	($1.6)	($1.4)	($1.6)	($0.4)	($1.4)	($0.8)	($1.3)
% Change	(12.6%)	(1.5%)	6.2%	(6.3%)	(6.0%)	(7.3%)	(1.9%)	(6.9%)	(4.3%)	(7.1%)

Refinancing Activity

The State executed eight refinancing transactions in FY 2022 generating gross debt service savings of $127 million or $115 million on a present value basis. The majority of debt issuance in the past several years has been to refinance debt at lower interest rates and reduce annual debt service payments. Since FY 2013, the State has executed 120 refinancings totaling $16 billion, generating gross debt service savings of $3.4 billion over the remaining life of the bonds or $2.7 billion on a present value basis. More than 90% of all State debt has been refinanced to lower interest rates.

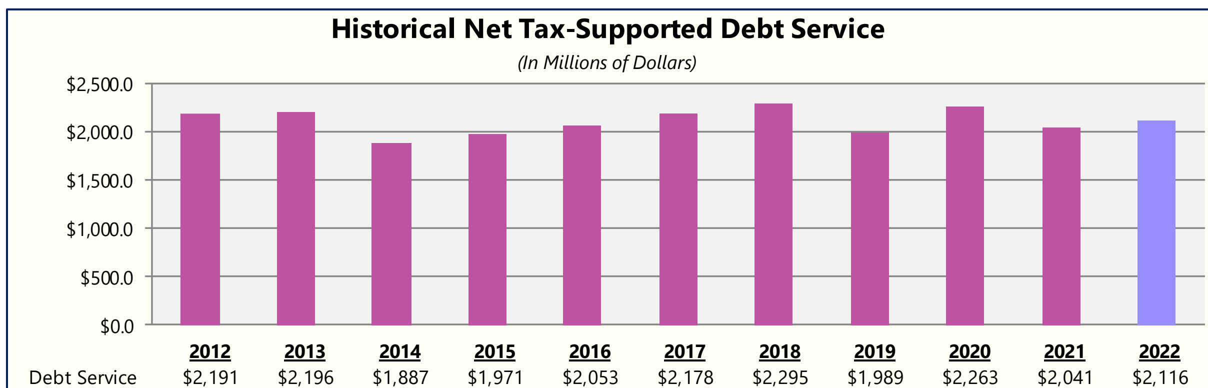
The Division continues to actively evaluate the State’s debt portfolio for refunding opportunities in order to take advantage of favorable interest rates and lower the interest cost on the State’s borrowings. However, there is increased uncertainty regarding higher future interest rates given the current posture of federal monetary policy and continued inflationary pressures. Additionally, the candidates available for refinancing in the future are diminishing as a result of limited new money bond issuance over the past decade. Over the next five years, there is only $4.2 billion of debt which can be refinanced if market conditions are favorable and interest rates are low enough to generate debt service savings.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Number of Transactions	10	9	14	13	14	12	13	11	16	8	120
Refunding Par	$ 2,049.4	$ 713.9	$ 2,004.2	$ 3,003.6	$ 1,267.8	$ 1,575.0	$ 1,746.0	$ 1,366.0	$ 1,448.6	$ 862.7	**$ 16,037.2**
Refunding Savings:											
Gross Savings	$ 515.6	$ 99.1	$ 375.9	$ 618.8	$ 303.6	$ 380.8	$ 267.3	$ 341.4	$ 362.0	$ 127.0	**$ 3,391.5**
Present Value Savings	$ 406.1	$ 87.0	$ 311.1	$ 380.5	$ 247.0	$ 296.8	$ 210.4	$ 282.0	$ 335.0	$ 114.8	**$ 2,670.6**

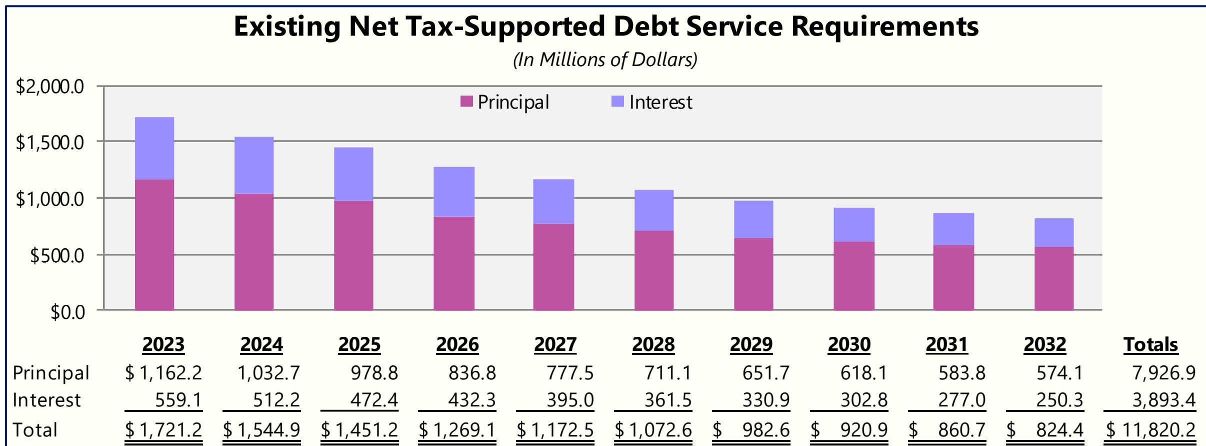
Annual Debt Service Payments

Annual debt service payments for the State’s existing net tax-supported debt in FY 2022 totaled approximately $2.1 billion. Annual fluctuations in debt service payments in recent years reflect the final payments on Preservation 2000 bonds in FY 2014 and the variability in DOT PPP payments. From a budgetary perspective, measuring the change in annual debt service indicates how much of the State’s resources are obligated for paying debt service before providing for other essential government services. Importantly, there is a significant decrease in the annual debt service payments in FY 2023 of nearly $400 million or 19% and that favorable trend continues in subsequent years.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Service	$2,191	$2,196	$1,887	$1,971	$2,053	$2,178	$2,295	$1,989	$2,263	$2,041	$2,116

Debt service payments on existing outstanding net tax-supported debt total $11.8 billion over the next ten years, with principal payments of $7.9 billion accounting for 67% of payments. The significant weighting of principal to overall debt payments illustrates the aging and maturity of outstanding debt coupled with the restrained issuance of new money bonds over the past ten years. More importantly, annual debt service payments for existing outstanding debt decreases significantly for the next ten years from $1.7 billion in FY 2023 to approximately $825 million in FY 2032.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Principal	$ 1,162.2	1,032.7	978.8	836.8	777.5	711.1	651.7	618.1	583.8	574.1	7,926.9
Interest	559.1	512.2	472.4	432.3	395.0	361.5	330.9	302.8	277.0	250.3	3,893.4
Total	$ 1,721.2	$ 1,544.9	$ 1,451.2	$ 1,269.1	$ 1,172.5	$ 1,072.6	$ 982.6	$ 920.9	$ 860.7	$ 824.4	$ 11,820.2

Projected Debt Issuance

Projected debt issuance is provided by State agencies that receive proceeds under authorized bond programs. Approximately $2.2 billion in net tax-supported debt issuance is projected over the next ten years, primarily for transportation. The projected issuance increased by 21% from $1.8 billion projected in the 2021 Report. There has been a significant decrease in projected debt issuance over the past decade reflecting less reliance on debt to finance infrastructure. In FY 2010, projected debt issuance was $7.2 billion compared to current projected debt issuance of only $2.2 billion. Plans to issue debt can be initiated by an agency through the LBR process, as part of the Governor's Recommended Budget, or as legislation passed during session. New debt issuance is approved annually by the Governor and Legislature through the budgeting and appropriations process. FDOT's 10-year bond plan is approved as part of the Work Program, which is approved annually through the General Appropriations Act.

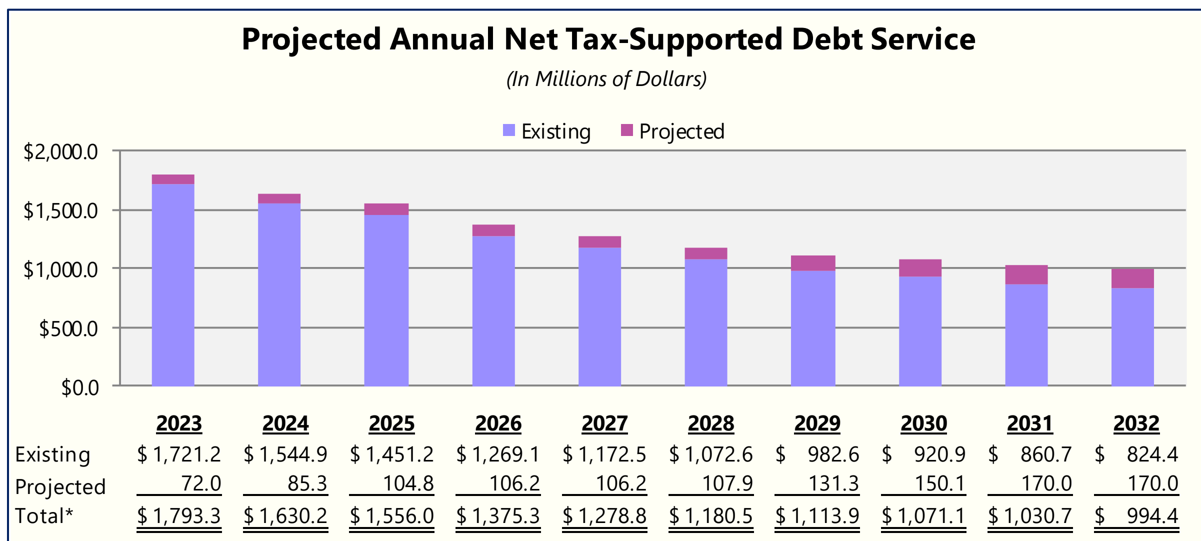
Projected Debt Issuance By Program

(In Millions of Dollars)

Fiscal Year	Mandatory Student Fee	ROW	GARVEE	DOT Fin. Corp.	Master Lease	Total Issuance
2023	$ 44.7	$ 375.0	$ 150.0	$ 121.3	$ 5.0	$ 696.0
2024	-	100.0	100.0	-	-	200.0
2025	-	300.0	-	-	-	300.0
2026	-	50.0	-	-	-	50.0
2027	-	-	-	-	-	-
2028	-	25.0	-	-	-	25.0
2029	-	360.0	-	-	-	360.0
2030	-	290.0	-	-	-	290.0
2031	-	305.0	-	-	-	305.0
2032	-	-	-	-	-	-
Total	$ 44.7	$ 1,805.0	$ 250.0	$ 121.3	$ 5.0	$ 2,226.0

Projected Net Tax-Supported Debt Service

Based on existing and projected debt service, FY 2023 annual debt service on net-tax supported debt is expected to decrease to $1.8 billion from $2.1 billion in FY 2022. The decrease in projected debt service reflects the final milestone payment for transportation PPP projects made in FY 2022. Projected debt service is expected to decline annually. As a result, projected annual debt service over the next 10 years declines to less than $1 billion, which is less than half of the FY 2022 annual debt service. Consequently, that State has significant debt capacity available to make strategic infrastructure investments.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Existing	$ 1,721.2	$ 1,544.9	$ 1,451.2	$ 1,269.1	$ 1,172.5	$ 1,072.6	$ 982.6	$ 920.9	$ 860.7	$ 824.4
Projected	72.0	85.3	104.8	106.2	106.2	107.9	131.3	150.1	170.0	170.0
Total*	$ 1,793.3	$ 1,630.2	$ 1,556.0	$ 1,375.3	$ 1,278.8	$ 1,180.5	$ 1,113.9	$ 1,071.1	$ 1,030.7	$ 994.4

Revenue Forecasts

Revenue available to pay debt service is one of the two variables used to calculate the benchmark debt ratio. General Revenues, as well as specific tax revenues pledged to various bond programs (e.g., gross receipts taxes pledged to the PECO bonds, motor fuel taxes pledged to Right-of-Way bonds, and dedicated percentages of documentary stamp tax collections pledged to the Florida Forever and Everglades Restoration bonds), are available for debt service payments. State General Revenues comprise the majority of total revenue available, accounting for more than 75% in 2022.

The State has experienced phenomenal growth in General Revenue collections of $4.9 billion, or 15.7%, in FY 2021 and $7.75 billion, 21.4%, in FY 2022 as a result of the State's COVID policies. Driven by a strong economy and increased collections across all tax sources, General Revenue collections reached $44 billion in FY 2022.

Notwithstanding Florida's strong economy and revenue collections, the EDR estimates incorporate anticipated economic headwinds caused by geopolitical uncertainty, tightening of federal monetary and fiscal policy, and global inflation, which results in a FY 2023 General Revenue estimate of $42.0 billion, which is approximately $2 billion, or 4.6%, below FY 2022 collections. However, State revenues continue to outpace estimates and, in aggregate, FY 2023 General Revenue collections through September 2022 are approximately $510 million over

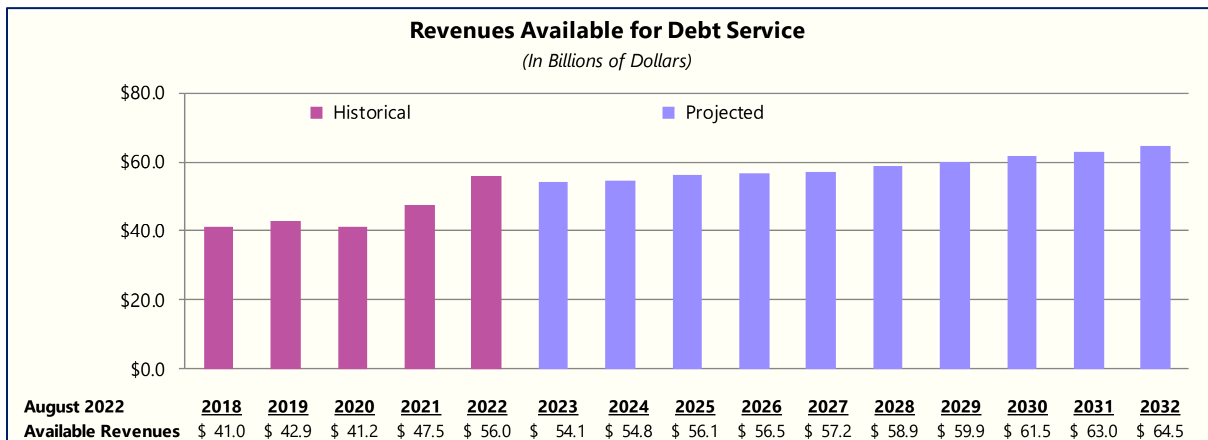
the August 2022 estimates, which, if annualized, would put the State on pace to match the FY 2022 results.

Changes in revenue estimates have a significant impact on the calculation of available debt capacity. The August 2022 REC results have been used for purposes of this Report. Revenue forecasts will be reviewed and revised by the REC in January 2023 and this Report and the impact on the benchmark debt ratio will be updated accordingly.

Projected Revenue Available for State Tax-Supported Debt

(In Millions of Dollars)

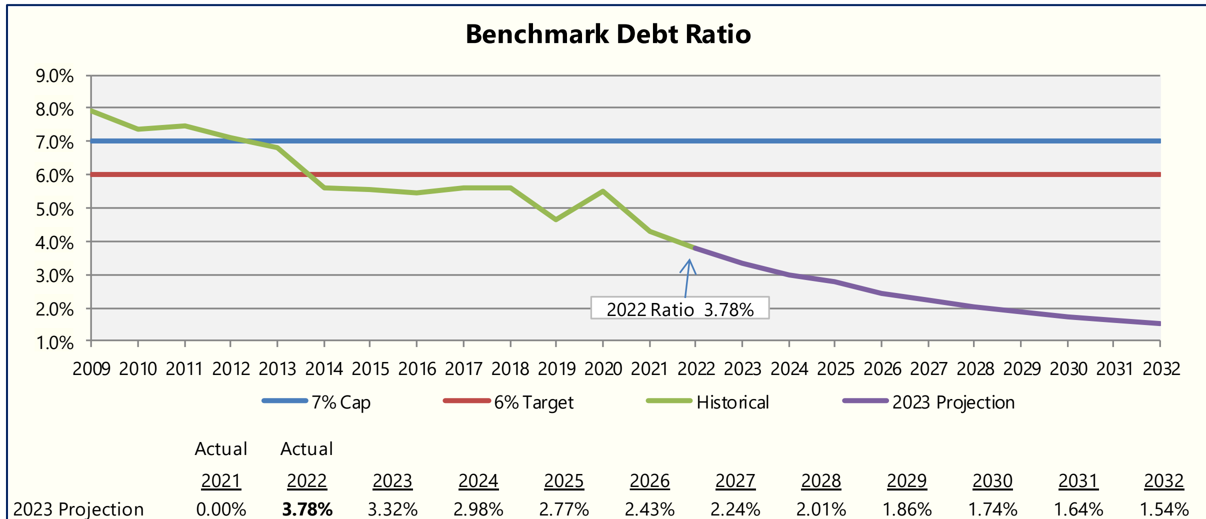
	Actual		Projection		
Fiscal Year	**2021**	**2022**	**2023**	**2024**	**2025**
Revenue Available:					
General Revenue	$ 36,280.9	$ 44,035.7	$ 41,998.2	$ 42,508.4	$ 43,838.3
Less : Documentary Stamp Tax Included Below	(1,432.5)	$ (2,054.2)	(1,665.0)	(1,426.9)	(1,444.7)
Net General Revenue	$ 34,848.4	$ 41,981.5	$ 40,333.2	$ 41,081.5	$ 42,393.6
Specific Tax Revenue					
Gross Receipts	$ 1,109.4	$ 1,206.4	$ 1,252.4	$ 1,238.1	$ 1,234.7
Motor Vehicle License	848.8	882.8	922.9	936.0	945.5
Lottery	2,246.0	2,382.0	2,207.5	2,252.6	2,243.1
Documentary Stamp Tax	4,082.8	5,359.9	4,523.7	4,037.6	4,073.9
Motor Fuel Tax	1,495.6	1,633.4	1,581.1	1,845.9	1,923.8
Motor Vehicle License-Surcharge	23.6	24.2	24.5	24.6	25.0
Tax on Pollutants-IPTF	206.5	236.0	239.4	242.3	-
University Net Bldg Fees & Cap. Impr. Fees	59.5	56.2	56.2	56.2	56.2
Community College Cap. Impr.Fees	34.4	32.2	32.2	32.2	32.2
Title Fees	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,156.0	1,980.5	2,681.1	2,832.5	2,960.5
Other Sources	199.2	53.0	3.1	3.2	3.3
Total State Revenue Available	**$ 47,510.2**	**$ 56,028.2**	**$ 54,057.2**	**$ 54,782.7**	**$ 56,091.8**



Benchmark Debt Ratio

The debt affordability analysis is based on the ratio of debt service to revenues available to pay debt service. The policy guidelines established by the Legislature include a 6% target and a 7% limit for the benchmark debt ratio. Since FY 2009, and following the Great Recession, the benchmark debt ratio has generally followed a downward trend, with a notable exception in FY 2020 when the ratio temporarily increased to 5.49% due to COVID-19-induced revenue declines.

The benchmark debt ratio decreased significantly in FY 2021 by 1.19% to 4.30%, largely a result the State's strong economic growth, coupled with a decrease in total debt service payments of $222 million. The benchmark ratio declined further in FY 2022 to 3.78%. The significant decline in the benchmark ratio is a result of a $7.75 billion, or 21.4%, increase in General Revenues in FY 2022.



	Actual 2021	Actual 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
2023 Projection	0.00%	**3.78%**	3.32%	2.98%	2.77%	2.43%	2.24%	2.01%	1.86%	1.74%	1.64%	1.54%

The projected benchmark debt ratio for the next ten years is based on the August 2022 revenue forecasts and projected debt issuance as of the date of this Report. Projections show the benchmark debt ratio remaining well below the 6% policy target over the forecast period. The REC scheduled in January 2023 is expected to revise the General Revenue forecast, and projections of the benchmark debt ratio will be updated.

Debt Capacity

The final step in the debt affordability analysis is estimating future debt capacity. Debt capacity is based on projected debt issuance over the next ten years and the most recent August 2022 revenue projections. Debt capacity can change significantly with changes in revenue estimates reflecting changes in the economic environment. With the benchmark debt ratio significantly below the 6% policy target, a substantial amount of debt capacity is available for future bonding.

Over the next ten years, approximately $40.0 billion in theoretical bonding capacity is available based on the 6% benchmark debt ratio. As shown previously, projected debt issuance under existing bond programs is approximately $2.2 billion for the next ten fiscal years leaving $37.8 billion of net debt capacity available within the 6% target over the next ten years. Assuming the revenue collections currently projected by the REC, there is approximately $22.3 billion of debt capacity available within the policy target in FY 2024. If projected revenue collections are not realized, debt capacity will be negatively impacted. Debt Capacity is calculated using an assumed 6% interest rate, which is higher than the current EDR adopted rate assumption of 5%. While it is not anticipated that the interest rate assumption used for this analysis will change, the validity of the assumed rate is reviewed annually.

Debt Capacity Projection 6% Target; 7.0% Cap *(In Millions of Dollars)*		
	6% Target	7% Cap
Total Debt Capacity Available	$ 40,039.6	$ 48,308.7
Estimated Bond Issuance	2,226.0	2,226.0
Net Debt Capacity Available	$ 37,813.5	$ 46,082.6

Projections in this report indicate the benchmark debt ratio will remain consistently well below the 6% target through 2032 which provides flexibility for the State to issue additional debt while maintaining compliance with the policy target. Debt capacity between the 6% target and 7% cap is best viewed as a cushion to mitigate the impact of revenue declines. Additionally, as noted previously, debt capacity is subject to significant variability because it is dependent on realizing projected revenue growth.

Florida Compared to Other States

The municipal bond market evaluates governments' debt position with four primary debt ratios: debt service to revenues; debt per capita; debt to personal income; and net tax-supported debt as a percentage of a state's gross domestic product ("GDP"). Florida's debt ratios are compared to national and peer group medians where the State's peer group is comprised of the 11 most populous states. For 2021 ratios, Florida improved in debt service as a percent of revenues and in debt per capita, debt as a percent of State personal income, and debt as a percent of State GDP. The State's metrics for net tax-supported debt per capita, as a percentage of personal income, and as a percentage of GDP are less than half of the peer group median.

Debt Ratios 2021 Comparison of Florida to Peer Group and National Medians				
	Net Tax-Supported Debt Service as a % of Revenues	Net Tax-Supported Debt Per Capita	Net Tax-Supported Debt as a % of Personal Income	Net Tax-Supported Debt as a % of GDP
Florida	2.15%	$756	1.20%	1.30%
Peer Group Mean	3.05%	$2,007	2.95%	2.75%
National Median	1.94%	$1,179	2.10%	2.10%

	Rank	Net Tax-Supported Debt Service as % of Revenues	Rank	Net Tax-Supported Debt Per Capita	Rank	Net Tax-Supported Debt as a % of Personal Income	Rank	Net Tax-Supported Debt as a % of State GDP	General Obligation Ratings Fitch/Moody's/S&P
Michigan	1	1.31%	4	$833	4	1.50%	4	1.50%	AA+/Aa1/AA
North Carolin	2	1.31%	2	$686	2	1.20%	2	1.10%	AAA/Aaa/AAA
Texas	3	1.57%	1	$682	1	1.10%	1	1.00%	AAA/Aaa/AAA
Florida	**4**	**2.15%**	**3**	**$756**	**2**	**1.20%**	**3**	**1.30%**	**AAA/Aaa/AAA**
Georgia	5	2.53%	5	$1,087	5	2.00%	5	1.70%	AAA/Aaa/AAA
Pennsylvania	6	2.63%	6	$1,616	6	2.50%	6	2.50%	AA-/Aa3/A+
Ohio	7	3.73%	7	$1,718	7	3.00%	7	2.70%	AA+/Aa1/AA+
California	8	3.79%	8	$2,458	8	3.20%	8	2.90%	AA/Aa2/AA-
New York	9	3.97%	10	$3,871	10	5.10%	10	4.10%	AA+/Aa1/AA+
Illinois	10	4.35%	9	$2,958	9	4.40%	9	4.00%	BBB+/Baa1/BBB+
New Jersey	11	6.17%	11	$5,410	11	7.20%	11	7.50%	A/A2/A-
Median		**2.63%**		**$1,616**		**2.50%**		**2.50%**	
Mean		**3.05%**		**$2,007**		**2.95%**		**2.75%**	
National Median		**1.94%**		**$1,179**		**2.10%**		**2.10%**	

2021 Debt Ratios Comparison of Eleven Most Populous States*

* Ranking order changed from prior years presentation to reflect lower debt metrics as having a higher ranking (1 being best, 11 worst)

Note: Moody's State Debt Medians reported figures may result in states having the same value for a given metric, which will be ranked as a tie.

Pension Liability and Funding

The State's pension system was well-funded with a funded ratio of 96.4% as of June 30, 2021, a significant increase from 78.9% as of June 30, 2020. Florida has fully funded its actuarially determined contribution to the pension system since FY 2014. Annual pension contributions are viewed as long-term fixed costs by rating agencies, and like debt service, potentially crowd-out other expenditures and create structural budget imbalance, if not managed properly.

As a result, management and funding of the pension system are important aspects of evaluating Florida's credit rating. Rating agencies have developed quantitative methodologies to evaluate states' pension liabilities and integrate them into their credit analysis. Moody's and Fitch each employ various "adjustments" to reported pension liabilities for greater comparability across the state sector including application of a common investment return assumption.

Additionally, for multi-employer plans like Florida's, the rating agencies allocate the unfunded liability to all participating governments, attributing only a portion to the State. The pension liabilities are analyzed relative to the economic metrics used to evaluate debt obligations among Florida's peer group. According to Moody's medians, Florida's adjusted pension liability of $31.5 billion falls significantly below the median of nearly $53.0 billion for the largest states and ranks 4th lowest in the peer group. Florida's Adjusted Net Pension Liability ("ANPL") as a percent of personal income is the lowest in the peer group.

2021 Pension Metrics Comparison

Adjusted Net Pension Liabilities ("ANPL") and Medians*

State	Rank	ANPL (in Millions)	Rank	APNL as % of Own-Source Revs	Rank	ANPL Per Capita	Rank	APNL as % of Personal Income	Rank	ANPL as % of State GDP
Georgia	1	$ 14,556	3	47%	1	$ 1,348	1	2.4%	1	2.1%
North Carolina	2	14,917	1	41%	2	1,414	3	2.6%	2	2.3%
Ohio	3	20,238	4	53%	4	1,718	4	3.0%	4	2.7%
Florida	**4**	**31,525**	**5**	**55%**	**3**	**1,447**	**1**	**2.4%**	**3**	**2.6%**
Michigan	5	50,522	6	125%	6	5,027	6	9.0%	6	8.9%
New York	6	53,050	2	41%	5	2,674	5	3.5%	5	2.9%
Pennsylvania	7	98,478	8	187%	8	7,596	9	11.9%	9	11.7%
New Jersey	8	153,793	10	301%	10	16,596	10	22.2%	10	22.9%
Texas	9	175,815	9	189%	7	5,954	7	10.0%	6	8.9%
Illinois	10	306,982	11	517%	11	24,226	11	36.1%	11	32.7%
California	11	315,881	7	148%	9	$ 8,050	8	10.5%	8	9.4%
Median		**$ 53,050**		**125%**		**$ 5,027**		**9.0%**		**8.9%**
Mean		**$ 112,342**		**155%**		**$ 6,914**		**10.3%**		**9.7%**
National Median		**$ 14,593**		**92%**		**$ 3,355**		**5.9%**		**5.8%**

* Ranking order changed from prior years presentation to reflect lower debt metrics as having a higher ranking (1 being best, 11 worst)

Note: Moody's Medians Pension and OPEB reported figures may result in states having the same value for a given metric, which will be ranked as a tie.

Rating agencies also evaluate the reasonableness of assumptions used to calculate the pension liability and required contributions. S&P has published guidelines which indicated 6% is a sustainable investment return assumption. The actuarial methodologies, which vary across plans, are also assessed. The assumptions used to calculate the required contribution to the FRS are set by the FRS Actuarial Assumption Conference ("Conference"). The actuary uses the assumptions and actuarial methodologies set by the Conference to calculate the pension liability and, more importantly, the required contribution.

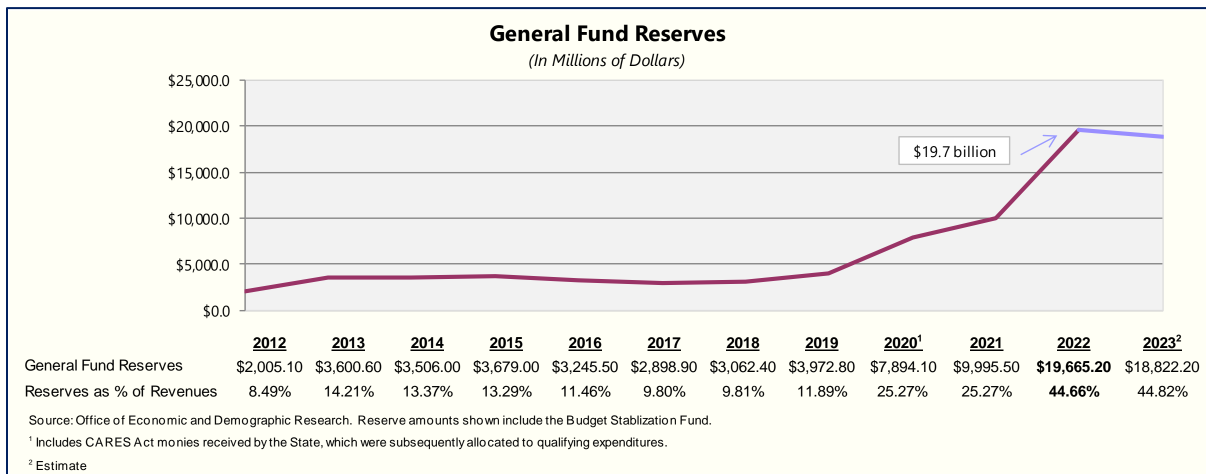
The Conference has made significant progress in recent years in lowering the investment return assumption and moving to best practices for prudent financial management. The investment return assumption, which had been lowered from 7.75% to 6.8% over the previous eight years, was reduced to 6.7% in October 2022. The conference previously adopted the best practices of using "individual entry age," which produces a more realistic estimate of the cost and required contributions and shortening the amortization policy to 20 years from 25 years. While there is additional progress to be made in moving to best practices (e.g. amortizing the unfunded liability on a level dollar basis, instead of a level percentage of pay) the significant progress made in recent years helps to secure the long-term health of the FRS for retirees and is positively viewed as a credit strength by rating agencies. However, making adequate contributions to the FRS is increasingly important as the plan matures and new employee participation drops. New employees are increasingly electing or defaulting into the defined contribution plan. This means fewer employees and less forfeited contributions from not vesting are available to the defined benefit plan. Also, as the FRS matures it will be increasingly net cash flow negative because benefit payments to retirees will outpace contributions for current employees. Therefore, less invested assets are available to appreciate and fund benefit payments over time. The two factors make adequate funding of the defined benefit plan imperative so that accumulated assets are sufficient to pay for benefits promised.

Reserves

An important measure of financial health and ability to respond to unforeseen financial challenges is the level of the State's general fund reserves. Unspent General Revenue combined with the BSF are collectively referred to herein as the "General Fund Reserves." Given that Florida's financial health is highly dependent on sales tax collections, which are sensitive to economic cycles, as well as the State's exposure to unpredictable costs from hurricanes, investors and ratings analysts expect a higher level of reserves in the State's credit assessment. Historically, Florida's level of reserves has resulted from conservative financial management and budgetary practices. The traditional measure used by credit analysts, investors and rating agencies to assess the strength of the State's financial position is the ratio of General Fund Reserves to General Revenues, expressed as a percentage.

General Fund Reserves

Due to strong economic growth and continued restrained spending, General Fund Reserves increased by $10.2 billion by the end of FY 2022 to $19.7 billion, or 45% of General Revenues. The unprecedented level of reserves positions the State well to weather future economic cycles and unpredictable costs while continuing to invest in infrastructure and key initiatives. General Fund Reserves are projected to be $18.8 billion at the end of FY 2023. The State's record General Fund Reserves are recognized by the rating agencies as a credit strength and reflect the State's prudent financial management.



	2012	2013	2014	2015	2016	2017	2018	2019	2020[1]	2021	2022	2023[2]
General Fund Reserves	$2,005.10	$3,600.60	$3,506.00	$3,679.00	$3,245.50	$2,898.90	$3,062.40	$3,972.80	$7,894.10	$9,995.50	**$19,665.20**	$18,822.20
Reserves as % of Revenues	8.49%	14.21%	13.37%	13.29%	11.46%	9.80%	9.81%	11.89%	25.27%	25.27%	**44.66%**	44.82%

Source: Office of Economic and Demographic Research. Reserve amounts shown include the Budget Stablization Fund.

[1] Includes CARES Act monies received by the State, which were subsequently allocated to qualifying expenditures.

[2] Estimate

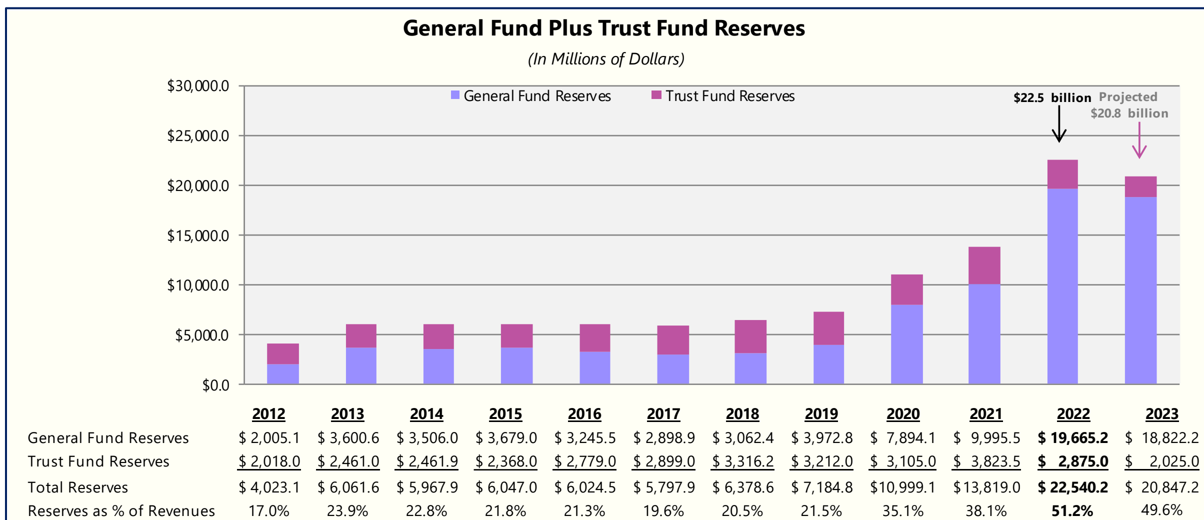
Trust Fund Reserves

The State has historically created trust funds and dedicated specified revenues for particular purposes. Well over half of the State's budget is comprised of trust-funded programs and activities. Established budgetary practices identify excess trust fund balances that are available and can be used for other purposes if directed by the Legislature. In fact, the Legislature has routinely swept available trust fund balances to supplement the general fund budget during periods of economic weakness to offset declining revenue collections. Therefore, including trust fund balances in the reserve analysis provides a more holistic picture of the State's financial flexibility. The inclusion of excess trust fund balances increases total reserves at the end of FY 2022 to approximately $22.5 billion, or 51.2% of General Revenues, which is

considered extremely strong by the rating agencies. Total reserves are projected to decrease, but still remain at a historic level of $20.8 billion, or 49.6% of General Revenues, at the end of FY 2023.

Credit Ratings

The State's credit rating is a rating agency's assessment of the willingness and ability to timely repay debt obligations. Credit ratings play an integral role in the municipal bond market and are one factor that affects the State's borrowing cost on debt offerings. Each rating agency considers four primary factors in its analysis: governance, debt and liability profile, budget and financial management, and economic indicators. The four factors are assessed on a quantitative and qualitative basis relative to the state's peers within its rating category. Despite the standardization of credit factors, each are evaluated slightly differently based on the agency's published criteria.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund Reserves	$ 2,005.1	$ 3,600.6	$ 3,506.0	$ 3,679.0	$ 3,245.5	$ 2,898.9	$ 3,062.4	$ 3,972.8	$ 7,894.1	$ 9,995.5	**$ 19,665.2**	$ 18,822.2
Trust Fund Reserves	$ 2,018.0	$ 2,461.0	$ 2,461.9	$ 2,368.0	$ 2,779.0	$ 2,899.0	$ 3,316.2	$ 3,212.0	$ 3,105.0	$ 3,823.5	**$ 2,875.0**	$ 2,025.0
Total Reserves	$ 4,023.1	$ 6,061.6	$ 5,967.9	$ 6,047.0	$ 6,024.5	$ 5,797.9	$ 6,378.6	$ 7,184.8	$10,999.1	$13,819.0	**$ 22,540.2**	$ 20,847.2
Reserves as % of Revenues	17.0%	23.9%	22.8%	21.8%	21.3%	19.6%	20.5%	21.5%	35.1%	38.1%	**51.2%**	49.6%

Florida is rated in the highest rating category by each of the three major credit rating agencies. All three major rating agencies affirmed the State's AAA general obligation ratings with stable outlooks in their most recent reports, which reflects the State's significant economic growth and prudent financial management. The stability in the State's general obligation ratings and credit strengths reflect Florida's historically strong economy and population growth; financial flexibility through reserve levels; ample liquidity; and a well-funded pension system. The State has been continually recognized for its conservative financial and debt management practices. In their reports, the rating agencies expect Florida to maintain its history of structural budget balance and strong reserves to continue to support the triple-A ratings.

Florida General Obligation Credit Ratings

	Rating	Outlook
Standard and Poor's	AAA	Stable
Fitch Ratings	AAA	Stable
Moody's Investor Service	Aaa	Stable

The rating agencies have recognized the State's strong economic growth through higher than anticipated revenue collections in FY 2022. However, the rating agencies also indicate that the State may see budgetary pressures from potential national economic weakness. The State is also at risk from severe or more frequent Hurricanes that could deplete reserves and increase tax burdens on citizen through debt issued by the State-sponsored insurance entities. While historically Florida's ratings were considered vulnerable because of the State's reliance on tourism and sales taxes, rating agencies anticipate the State's revenues will continue to grow in the long run based on the State's strong economic and demographic fundamentals.

The State does face some ongoing credit challenges, which include environmental risk associated with hurricanes and sea-level rise and the health of the State's property insurance industry, specifically the State-sponsored insurance entities—Cat Fund, Citizens and FIGA. In addition, the rating agencies expect Florida to continue sound fiscal management practices, maintain structural budget balance and strong reserve balances through economic cycles.

Environmental, Social and Governance

All three rating agencies have incorporated ESG factors into their credit analysis and reports. While risks related to these factors have always been considered in rating analysis, they are now being included under an ESG moniker. While the State has favorable long-term social and governance characteristics, there are vulnerabilities around environmental risks. Specifically, the rating agencies highlight Florida's vulnerability to hurricanes, flooding, and sea level rise. Rating agencies are monitoring the State's actions to plan for and mitigate environmental risks, such as the stability or changes proposed to Cat Fund, Citizens, and FIGA, and additional actions taken to address climate resiliency. S&P has warned that ongoing focus on environmental risks and corresponding mitigations efforts will be needed in order to maintain long-term credit quality.

The rating agencies have also developed ESG scores and have incorporated the scores into their credit reports. The State of Florida did not request ESG scores for outstanding Bonds and is not actively engaged with the rating agencies ESG score analysis. Currently, ESG scores are not impacting credit ratings. The Division will continue to evaluate the rating agencies ESG scoring criteria and any impacts thereof on the State's AAA rating.

Conclusion

Florida's debt position improved in FY 2022 as a result of a prolonged favorable interest rate environment and a reduction in the amount of debt outstanding. The debt ratio remains well below the 6% target due to significant revenue growth associated with the continued strong economic growth and limited debt issuance. The State is well positioned with significant debt capacity available to fund priority infrastructure needs.

The rating agencies have recognized the State's strong economic growth and prudent budget management with the affirmation of triple-A credit ratings. The rating agencies expect Florida to continue prudent budget management practices along with making adequate pension contributions and planning for the impacts associated with hurricanes including the health and stability of the State's property insurance market in order to maintain its credit ratings. The State is well positioned with significant flexibility to ensure stability through future economic cycles.

State of Florida

2023 Update

to the

2022 Debt Report

Revised to include the March 2023 Revenue Estimating Projections

Prepared by the Division of Bond Finance

2023 Update

- The 2023 Update reflects the upward revision in projected revenues as Florida's economic expansion continues to outpace original projections. The updated projections do not materially impact the debt affordability analysis in the 2022 Debt Report.

- The primary change is to reflect the increased revenues from the March 2023 Revenue Estimating Conferences.

- FY 2023 projected revenues increased by approximately $4.1 billion over the 2022 Debt Report, which resulted in an improvement to the FY 2023 benchmark ratio. This is primarily a result of increases in FY 2023 General Revenue.

- Based on March 2023 revenue estimates, the benchmark debt ratio does not change significantly and is expected to remain well below the 6% target over the 10-year projection period.

Projected Revenue Available for State Tax-Supported Debt

Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Available *(In Millions)* **:**										
General Revenue	$ 41,998.2	$ 42,508.4	$ 43,838.3	$ 44,682.8	$ 45,880.7	$ 47,170.3	$ 48,425.3	$ 49,723.8	$ 51,057.0	$ 52,425.6
Less: Doc Stamp Distribution	(1,665.0)	(1,426.9)	(1,444.7)	(1,179.8)	(1,198.7)	(1,230.6)	(1,273.6)	(1,328.2)	(1,384.6)	(1,442.7)
Net General Revenue	40,333.2	41,081.5	42,393.6	43,503.0	44,682.0	45,939.7	47,151.7	48,395.6	49,672.4	50,982.9
Specific Tax Revenue										
Gross Receipts	1,252.4	1,238.1	1,234.7	1,248.5	1,262.0	1,276.6	1,292.7	1,308.1	1,322.6	1,309.0
Motor Vehicle License	922.9	936.0	945.5	953.3	959.9	966.4	975.3	984.4	993.5	1,002.7
Lottery	2,207.5	2,252.6	2,243.1	2,264.5	2,283.6	2,297.4	2,321.7	2,340.9	2,399.5	2,373.2
Documentary Stamp Tax	4,523.7	4,037.6	4,073.9	3,475.6	3,527.8	3,615.9	3,724.5	3,836.1	3,951.2	4,069.8
Motor Fuel Tax	1,581.1	1,845.9	1,923.8	1,966.0	2,008.4	2,055.8	2,102.0	2,148.3	2,194.5	2,241.1
Motor Vehicle License-Surcharge SLERSTF	24.5	24.6	25.0	25.2	25.4	25.5	25.7	25.9	26.2	26.4
Tax on Pollutants-IPTF	239.4	242.3	-	-	-	-	-	-	-	-
SUS Net Bldg Fees & Cap. Impr.Fees	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2
State (Community) College Cap. Impr.Fees	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,681.1	2,832.5	2,960.5	2,756.0	2,162.2	2,404.7	1,994.0	2,125.9	2,153.5	2,153.5
Other Sources	3.1	3.2	3.3	3.4	3.5	3.6	13.7	28.5	37.1	37.3
Total State Revenue Available	**$ 54,057.2**	**$ 54,782.7**	**$ 56,091.8**	**$ 56,484.0**	**$ 57,203.0**	**$ 58,873.9**	**$ 59,889.7**	**$ 61,482.1**	**$ 63,038.8**	**$ 64,484.1**

Projected Revenue Available for State Tax-Supported Debt - 2023 Update

Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Available *(In Millions)* **:**										
General Revenue	$ 46,264.1	$ 45,300.6	$ 46,836.0	$ 48,205.3	$ 49,588.3	$ 51,109.5	$ 52,632.9	$ 54,201.3	$ 55,815.9	$ 57,478.2
Less: Doc Stamp Distribution	(1,237.5)	(957.4)	(1,110.8)	(1,217.1)	(1,253.5)	(1,303.5)	(1,359.1)	(1,416.4)	(1,475.4)	(1,536.2)
Net General Revenue	45,026.6	44,343.2	45,725.2	46,988.2	48,334.8	49,806.0	51,273.8	52,784.9	54,340.5	55,942.0
Specific Tax Revenue										
Gross Receipts	1,362.5	1,492.2	1,438.1	1,309.6	1,299.4	1,316.2	1,323.0	1,325.1	1,329.7	1,314.5
Motor Vehicle License	915.2	921.4	933.2	942.1	951.0	959.4	968.5	977.7	986.9	996.3
Lottery	2,497.8	2,333.2	2,303.5	2,327.5	2,347.9	2,363.1	2,389.1	2,409.8	2,471.2	2,445.1
Documentary Stamp Tax	3,635.0	2,861.8	3,285.2	3,578.6	3,678.9	3,785.6	3,899.2	4,016.2	4,136.6	4,260.7
Motor Fuel Tax	1,579.2	1,817.7	1,912.2	1,976.2	2,029.9	2,081.7	2,132.8	2,183.1	2,234.0	2,284.0
Motor Vehicle License-Surcharge SLERSTF	24.1	24.2	24.4	24.6	24.8	25.1	25.2	25.4	25.6	25.8
Tax on Pollutants-IPTF	237.2	237.9	-	-	-	-	-	-	-	-
SUS Net Bldg Fees & Cap. Impr.Fees	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2	56.2
State (Community) College Cap. Impr.Fees	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Title Fees (Available for Seaport Debt)	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Federal Reimbursements for Transportation	2,604.7	3,139.0	3,886.9	3,695.8	3,063.6	2,861.3	2,832.3	2,839.3	2,828.6	2,866.5
Other Sources	3.1	3.2	3.3	3.4	3.5	3.6	13.7	28.5	37.1	37.3
Total State Revenue Available	**$ 58,173.7**	**$ 57,462.2**	**$ 59,800.4**	**$ 61,134.4**	**$ 62,022.1**	**$ 63,490.2**	**$ 65,145.9**	**$ 66,878.3**	**$ 68,678.6**	**$ 70,460.5**
Change in Revenue Projection	**$ 4,116.5**	**$ 2,679.5**	**$ 3,708.6**	**$ 4,650.4**	**$ 4,819.1**	**$ 4,616.2**	**$ 5,256.2**	**$ 5,396.3**	**$ 5,639.8**	**$ 5,976.4**

Projected Debt Metrics

Statistics	Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
State Revenue Available (In Millions)		$ 54,057.2	$ 54,782.7	$ 56,091.8	$56,484.0	$ 57,203.0	$58,873.9	$ 59,889.7	$61,482.1	$ 63,038.8	$ 64,484.1
Annual Growth Rate of Revenues		(3.52%)	1.34%	2.39%	0.70%	1.27%	2.92%	1.73%	2.66%	2.53%	2.29%
State Debt Service (In Millions)		$ 1,793.3	$ 1,630.2	$ 1,556.0	$ 1,375.3	$ 1,278.8	$ 1,180.5	$ 1,113.9	$ 1,071.1	$ 1,030.7	$ 994.4
Total State Net Tax-Supported Debt (In Millions)		$ 12,562.4	$ 11,692.8	$ 10,970.7	$10,139.6	$ 9,315.5	$ 8,580.1	$ 8,231.1	$ 7,838.7	$ 7,487.6	$ 6,837.7
Debt Service % of Revenue		3.32%	2.98%	2.77%	2.43%	2.24%	2.01%	1.86%	1.74%	1.64%	1.54%
Population (In Thousands)		22,490	22,798	23,095	23,382	23,657	23,922	24,174	24,416	24,646	24,866
Per Capita Personal Income		$ 63,446	$ 65,909	$ 68,012	$ 70,085	$ 72,192	$ 74,390	$ 76,723	$ 79,135	$ 81,577	$ 84,080
Debt Per Capita		$ 558.6	$ 512.9	$ 475.0	$ 433.7	$ 393.8	$ 358.7	$ 340.5	$ 321.0	$ 303.8	$ 275.0
Debt as % of Personal Income		0.88%	0.78%	0.70%	0.62%	0.55%	0.48%	0.44%	0.41%	0.37%	0.33%

Projected Debt Metrics - 2023 Update

Statistics	Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
State Revenue Available (In Millions)		$ 58,173.7	$ 57,462.2	$ 59,800.4	$61,134.4	$ 62,022.1	$63,490.2	$ 65,145.9	$66,878.3	$ 68,678.6	$ 70,460.5
Annual Growth Rate of Revenues		3.83%	(1.22%)	4.07%	2.23%	1.45%	2.37%	2.61%	2.66%	2.69%	2.59%
State Debt Service (In Millions)		$ 1,793.3	$ 1,630.2	$ 1,556.0	$ 1,375.3	$ 1,278.8	$ 1,180.5	$ 1,113.9	$ 1,071.1	$ 1,030.7	$ 994.4
Total State Net Tax-Supported Debt (In Millions)		$ 12,562.4	$ 11,692.8	$ 10,970.7	$10,139.6	$ 9,315.5	$ 8,580.1	$ 8,231.1	$ 7,838.7	$ 7,487.6	$ 6,837.7
Debt Service % of Revenue		3.08%	2.84%	2.60%	2.25%	2.06%	1.86%	1.71%	1.60%	1.50%	1.41%
Population (In Thousands)		22,527	22,840	23,144	23,440	23,727	24,005	24,271	24,526	24,769	25,001
Per Capita Personal Income		$ 64,233	$ 65,837	$ 67,653	$ 69,557	$ 71,528	$ 73,576	$ 75,563	$ 77,578	$ 79,641	$ 81,806
Debt Per Capita		$ 557.7	$ 511.9	$ 474.0	$ 432.6	$ 392.6	$ 357.4	$ 339.1	$ 319.6	$ 302.3	$ 273.5
Debt as % of Personal Income		0.87%	0.78%	0.70%	0.62%	0.55%	0.49%	0.45%	0.41%	0.38%	0.33%

Benchmark Debt Ratio Projection

	Actual 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
2022 Projection	3.78%	3.32%	2.98%	2.77%	2.43%	2.24%	2.01%	1.86%	1.74%	1.64%	1.54%
2023 Update	3.78%	3.08%	2.84%	2.60%	2.25%	2.06%	1.86%	1.71%	1.60%	1.50%	1.41%
Change in Ratio	-	(0.23%)	(0.14%)	(0.17%)	(0.19%)	(0.17%)	(0.15%)	(0.15%)	(0.14%)	(0.13%)	(0.13%)